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Chairman: Mr. Darwish (Vice Chairman) ..... (Egypt)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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In the absence of Ms. Wensley (Australia), Mr. Darwish (Egypt), Vice-Chairman, took the Chair.

The meeting was called to order at 3.05 p.m.

Agenda item 121: Proposed programme budget for the biennium 2000-2001 (*continued*) (A/54/6/Rev.1 (vol. III), A/54/7 and A/54/16; A/C.5/54/14)

First reading (continued)

Section 29, Jointly financed administrative activities (*continued*)

1. **Mr. Orr** (Canada) said that, since the General Assembly was the only intergovernmental body that reviewed the budgets of the bodies financed under section 29, particular care must be taken in scrutinizing those budget requests, given their impact on the funds, programmes and specialized agencies. He was disappointed that the presentation of that section was based on objects of expenditure; the bodies concerned should also list their expected accomplishments and outputs for the next biennium. He expected that the Committee would receive that information, in accordance with the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation, before it approved the appropriations under section 29.

2. He was particularly disappointed by the failure to justify the proposed computerized integrated management information system for the International Civil Service Commission (ICSC). Although the budget submission indicated that the request was based on the recommendation made by the Board of Auditors in document A/52/811, paragraph 129, that recommendation had stipulated that the system should be compatible with the computer systems in the organizations of the common system and that its introduction should be preceded by the quantification of savings, in terms of reduced staff and other costs, that would result from automation. The Commission's response to the Advisory Committee's enquiry on that point, to the effect that such information could be provided only after the design and development of the system had been completed (A/54/7, para. X.8), was unacceptable. The General Assembly should not approve the expenditure of resources on the computer system until it received assurances that the system would work and would save money. Adequate justification, a time-frame for completing the project and a firm estimate of the overall costs must be provided before the funding could be approved. Lastly, he agreed with the Advisory Committee that the Information Systems Coordination Committee should not be funded by the United Nations u its role and future had been reviewed.

3. **Mr. Repasch** (United States of America) expres support for section 29 of the proposed programme bud through which organizational units engaged in a rang system-wide activities were financed. Noting the incre of $600,000 in the budget of the International Civil Serv Commission (ICSC) under consultants and experts, rela to the initial costs of developing a computerized integra management information system, he requested a copy of systems study and information on the goals of the proj the acquisition strategy and the estimated life-cycle co He asked why the Commission had decided to develop own system at an overall cost of $2 million, rather than ad an existing system. He also wished to know whether th would be any additional costs once the development ph was completed.

4. He enquired what action had been taken to implem the recommendation of the Board of Auditors that introduction of the system should be preceded identification and quantification of savings in terms reduced staff and other costs that would be effected a result of automation, and whether the anticipated savings been reflected in the estimates before the Committee. It not clear to him whether the substantial reduction in amount requested for rental of premises was due t reduction in the amount of leased office space or a reduct in the rental rates.

5. His delegation wished to know what accounted for dramatic decline in the productivity of the Joint Inspect Unit (JIU), which had produced only nine reports in the p one and a half years. Noting that the Unit also prepared no and confidential letters, he asked how many of those ot work products had been produced in the past five years, w issues they had dealt with, and what impact they had had the efficiency of the functioning of the United Nati system. He expressed surprise at the increase of 4.5 per c in the estimates under travel, particularly in the light of Unit's reduced productivity, and asked what proportion the funds requested had been earmarked for travel to Uni Nations Headquarters by Inspectors and other officials attend meetings of intergovernmental bodies. He would a like to know whether the proposed JIU Web site would fully operational during the next biennium, what informati would be available on the site, and whether it would affo an opportunity for additional efficiencies in the work of Unit.

6. With regard to the Information Systems Coordinati Committee (ISCC), he noted that a substantial increase

resources had been requested under consultants and experts for undertaking specialized studies on document and archive systems. He requested additional information regarding those systems, and asked whether the proposed studies would assist the Secretariat as a whole in improving its filing systems, which appeared to be inadequate.

7. The proposals for the Consultative Committee on Programme and Operational Questions (CCPOQ) were based on the convening of two regular sessions a year. He wished to know how many meetings had been scheduled and how many meetings had actually been held over the past two years. Noting that consultant services were required for the in-depth analysis of the wide range of technical issues on which the secretariat lacked sufficient expertise, he asked what those subjects were, and whether the resources budgeted for that item during the current biennium had been fully used. He would also like to know whether CCPOQ had used such technology as teleconferencing to reduce travel expenses.

8. **Mr. Fox** (Australia) said that he agreed that the presentation of section 29 lacked clarity. He also shared the concerns regarding the computerized integrated management information system to be developed by ICSC. His delegation had long emphasized the importance of a comprehensive and planned approach to United Nations information technology resources. Some $85.3 million had been appropriated for information technology during the current biennium, and an additional $7.5 million was being sought for the biennium 2000-2001. It was therefore extraordinary that the effectiveness of ISCC was not apparent. His delegation supported the Advisory Committee's recommendation against the appropriation of the United Nations share of the ISCC budget.

9. **Mr. Yamagiwa** (Japan) said that his delegation endorsed the observations and recommendations of ACABQ on part X of the proposed programme budget for the biennium 2000-2001. With respect to section 29, it supported the recommendation of ACABQ against appropriation of the United Nations share of the ISCC budget. The effectiveness of ISCC was not evident to his delegation, but he would appreciate any information or comments in that regard from its secretariat.

10. **Mr. Sach** (Director, Programme Planning and Budget Division), replying to the questions posed by delegations and to points raised at the 35th meeting, said that the Secretariat had followed established practice in formulating the budget proposals for JIU. He was therefore perplexed at the suggestion that it had erred in its implementation of article 20.1 of the JIU statute. It was for the Committee and the General Assembly to decide how the Secretariat should proceed in future. The information requested on the reports, notes and confidential letters produced by the Unit and on travel by Inspectors would be provided in informal consultations.

11. With regard to the presentation of section 29, he agreed that the budget proposals did not show clearly what benefits the United Nations derived from participating in the costs of the five organizational units concerned. That problem would be addressed in the next budget proposals, which would include expected accomplishments and additional programmatic information.

12. Although ACABQ had recommended against appropriation of the United Nations share of the budget of ISCC, the Advisory Committee did recognize in paragraph X.14 of its report that there was a need for enhanced coordination in the development of information systems throughout the United Nations. Clearly, that need was not being appropriately addressed. He would provide additional information in informal consultations on the programme of work of ISCC so that the Committee would be better able to evaluate its potential in that regard, which was not yet fully realized.

13. Regarding the proposed development of a computerized integrated management information system by ICSC, he said that the systems study undertaken had been transmitted to the Advisory Committee in the spring and would be made available to the Fifth Committee in informal consultations. The Commission's work required the collection and processing of large volumes of data and the maintenance of a complex database. The proposed system had been recommended by the Board of Auditors as the best means of addressing those needs. In deciding on a phased approach to the implementation of the project, the Commission had taken into account the level of available resources and the wishes of the specialized agencies, which had to provide a portion of those resources.

14. **The Chairman** said that he took it that the Committee had completed its first reading of section 29 of the proposed programme budget for the biennium 2000-2001 and wished to refer that section to informal consultations for further consideration.

Section 30. Special expenses (continued)

15. **The Chairman** invited the Committee to consider section 30 of the proposed programme budget for the biennium 2000-2001.

16. **Mr. Yamagiwa** (Japan) said that the security of United Nations staff members was a priority for his delegation. It therefore took very seriously the observations of ACABQ in paragraph X.27 of its report regarding the need for careful coordination of security and safety activities among the organizations of the United Nations system. It attached great importance in that regard to the critical role of the United Nations Security Coordinator, and commended the responsiveness and professionalism of his Office.

17. **Mr. Orr** (Canada) said that the provisions for after-service health insurance were very substantial, amounting to $44.3 million before recosting. He asked whether the Administration, in arriving at that figure, had taken into account the two-month premium rebate received by eligible staff members and retirees and the related payment to organizational budgets of a credit in the amount of the organizational subsidy. Noting that the maximum cost-sharing ratio was 2:1 between the Organization and the participants, he enquired whether the Secretariat had examined the ratios applied by Governments and other international organizations. He considered that a ratio of 1:1 would be more appropriate.

18. **Mr. Sial** (Pakistan) asked whether the report by the Office of Internal Oversight Services (OIOS) on its audit of the United Nations health insurance programme (A/53/467) had contained any recommendations that required a policy decision by the General Assembly.

19. **Mr. Sach** (Director, Programme Planning and Budget Division) said that the premium rebate had been granted because the realized costs of meeting claims under the United Nations health insurance plans had been lower than anticipated. Inflation in respect of health insurance costs, which had run at twice the normal rate of inflation, had been somewhat dampened with the establishment of health maintenance organizations. The provisions for after-service health insurance represented a 5.4 per cent decrease compared with the current biennium. ICSC had last considered the cost-sharing ratio approximately five years earlier. It had recommended that the current arrangement should be maintained. He was not aware that any of the recommendations by OIOS required a policy decision.

20. **The Chairman** said that he took it that the Committee had completed its first reading of section 30 of the proposed programme budget for the biennium 2000-2001 and wished to refer that section to informal consultations for further consideration.

Section 31. Construction, alteration, improvement and major maintenance

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21. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) introduced the Advisory Committee's report on parts XI, XII and XIII, comprising sections 31, 32 and 33, and income sections 1, 2 and 3 of the proposed programme budget for the biennium 2000-2001 (A/54/7 (chap. II, parts XI, XII and XIII)).

22. The estimates under part XI, comprising section 31, amounted to $45.6 million. The additional resources requested were minimal compared with what was required in order to improve and maintain United Nations facilities. The decisions taken in the past to defer implementation of capital projects had not been prudent and were beginning to prove very costly. The proposals under section 31 did not include the resources required for the capital improvements identified under the capital master plan developed by the Office of Central Support Services, and the Advisory Committee requested in paragraph XI.6 of its report that the master plan should be presented to the General Assembly. With respect to section 33, the Advisory Committee noted that the Secretary-General was expected to submit projects for funding from the amount to be appropriated under the section.

23. In paragraph IS2.2 of its report, the Advisory Committee recommended that steps should be taken to enhance the financial capacity of the Economic Commission for Africa (ECA) and the Economic and Social Commission for Asia and the Pacific (ESCAP) to manage income-generating meetings at their respective conference centres. In paragraph IS2.4 it recommended that measures should be introduced to assess the extent to which the United Nations was using the facilities offered under the new arrangement with television companies referred to in that paragraph. The Advisory Committee would follow the situation with respect to the payment of sales tax on the sale of gift items, to which it referred in paragraph IS3.2 of its report. In paragraph IS3.5 it recommended that immediate steps should be taken to address the concerns regarding the Delegates' Dining Room and the cafeteria at Headquarters.

24. **The Chairman** invited the Committee to consider section 31 of the proposed programme budget for the

biennium 2000-2001. In that connection he drew attention to the recommendation of the Committee for Programme and Coordination contained in paragraph 465 of its report (A/54/16).

25. **Mr. Repasch** (United States of America) said that, while his delegation recognized the need to maintain United Nations facilities, it considered that the resource growth of 26.2 per cent proposed under section 31 was very high, especially in the light of the increases requested under other sections of the budget. It was not therefore in a position to support it. The resources requested for maintenance of the conference centre at ESCAP also seemed excessive, given that the centre was in use less than 25 per cent of the time. His delegation wished to see projected utilization rates.

26. **Ms. Buergo Rodríguez** (Cuba) said that her delegation had serious concerns about the state of the buildings at Headquarters and the dangers posed by their deteriorated condition. To cite some specific examples, the marble façade of the Dag Hammarskjöld Library wall was in need of significant repair. Leaking occurred in the glass wall of the Library, to such an extent that plastic sheeting had been installed to prevent rain damage to computers, desks and materials. In addition, the ramp to the 1B garage at the Secretariat circle fountain had suffered from serious concrete deterioration, caused by ice and road salt. The request for resources for construction, alteration, improvement and major maintenance should therefore be given careful consideration. Her delegation shared the views which had been expressed earlier about the poor quality of service and meals in the cafeteria.

27. **Mr. Sial** (Pakistan) said that proper maintenance of the Organization's buildings was essential to ensure the continued safety of delegations and Secretariat staff. The proposed increase in resource requirements was marginal and his delegation would welcome the Secretariat's assurances that the amount was adequate to meet maintenance requirements. It also wished to know whether the master plan for capital improvements had been submitted to the Advisory Committee, as that Committee had requested. Lastly, the Advisory Committee's request that the Secretary-General should ensure that funds appropriated for maintenance were actually expended for that purpose was troubling, insofar as budgeted resources could not be redeployed without the General Assembly's approval. The Secretariat should clarify the matter.

28. **Mr. Takahara** (Japan) said that Member States and the Secretariat shared an interest in maintaining the buildings and facilities of the United Nations in good condition. His delegation supported the Advisory Committee's request that future budget submissions should indicate the scope, duration and full cost of any multi-year phased projects. The Secretariat should have no difficulty in including in section 31 of the proposed programme budget such elements as progress to date, weaknesses identified, steps to be taken and expected results and benefits. The inclusion of such elements greatly facilitated the quantitative assessment by Member States and self-evaluation by programme managers.

29. **Mr. Sach** (Director, Programme Planning and Budget Division) said that the level of resources requested was adequate only on the assumption that it would be complemented by a separate request for additional resources to meet long-term needs, which would be submitted at a later stage.

30. The proposed increase in resource requirements must be viewed in the context of the maintenance of buildings that were valued at several billion dollars. The level remained considerably lower than the amount which had been spent on construction earlier in the decade. Special considerations had led to a reduction in spending during the biennium 1996-1997 and, even though expenditures had risen during the biennium 1998-1999, they still had not attained the level achieved in the 1992-1993 biennium.

31. He doubted whether it would be possible for the Secretariat to submit before the end of 1999 the master plan for capital improvements which the Advisory Committee had requested. Most of the construction elements of the plan had been completed, but key financial elements remained to be finalized. He expected the plan to be completed, however, prior to the resumed fifty-fourth session in the spring of 2000.

32. The concern expressed by the Advisory Committee that funds appropriated for maintenance should be actually expended for that purpose should encourage the Secretariat to effectively expend apportioned funds. The concern was not that the money would be spent elsewhere but that it would not be spent at all.

33. **The Chairman** said that he took it that the Committee had completed its first reading of section 31 of the proposed programme budget for the biennium 2000-2001 and wished to refer that section to informal consultations for further consideration.

34. *It was so decided.*

35. **The Chairman** invited the Committee to consider section 32 of the proposed programme budget for the biennium 2000-2001.

36. **Mr. Orr** (Canada) said that section 32 should not have been included in the proposed programme budget at all.

There was a misperception that staff assessment was a United Nations income tax which was returned to the national Government of the staff member concerned. That was not the case. Canada, for example, paid its assessments in full, on time and without conditions in January of each year, while staff members received their salaries over the course of the year. The credit which Canada received for staff assessment was therefore unrelated in any way to the staff assessment deducted from Canadian staff of the Secretariat. Staff assessment was a mechanism used by the Secretariat to refund taxes paid by staff members who were required to pay taxes to their national Governments. As such, it was essentially a paper exercise which artificially inflated the Organization's budget.

37. **Mr. Odaga-Jalomayo** said that his delegation would welcome the Secretariat's views on the issues just raised by the representative of Canada.

38. **Mr. Sach** (Director, Programme Planning and Budget Division) said that, if section 32 were abandoned, the Organization would have to find some other means of ensuring that the burden of tax reimbursement to Member States which taxed nationals employed by the Secretariat did not fall on other Member States.

39. **The Chairman** said that he took it that the Committee had completed its first reading of section 32 of the proposed programme budget for the biennium 2000-2001 and wished to refer that section to informal consultations for further consideration.

40. *It was so decided.*

41. **The Chairman** invited the Committee to consider section 33 of the proposed programme budget for the biennium 2000-2001. In that connection he drew the Committee's attention to the recommendations of the Committee for Programme and Coordination contained in paragraphs 471 and 472 of its report (A/54/16).

42. **Mr. Barnwell** (Guyana), speaking on behalf of the Group of 77 and China, said that the Group attached great importance to section 33. In paragraph 43 of the foreword and introduction to the proposed programme budget the Secretariat had tried, inappropriately, to establish a link between efficiency measures and the Development Account. It could not understand why the Secretariat would include specific measures in the programme budget with a view to identifying savings. The budget was an instrument for allocating resources for the implementation of mandated activities. The frugal use of resources was desirable, but the budgetary procedure did not provide for identification of savings in the formulation phase of the budget.

43. The reform process should not be a budget and/or staff reduction exercise but should seek to enhance the Organization's responsiveness and capacity to meet challenges. The Secretariat should not identify arbitrary savings, and the Development Account must be operated strictly in accordance with the relevant regulations and rules and resolutions. Mandated activities must be provided with all necessary resources, and the transfer of savings to the Account must not impair programme delivery in other sections of the budget.

44. The Group regretted that the Secretariat had not submitted the programme narrative for section 33, which should not have been contingent upon the modalities for operation of the Account. The General Assembly had approved $13,065,000 for the Account in the budget outline, and the Secretariat should have submitted proposals for its utilization. In paragraph 33.4 of the proposed programme budget the Secretary-General stated that he would submit detailed proposals on the use of that amount at the fifty-fourth session, and CPC had made a recommendation to that effect in paragraph 472 of its report. The Secretariat should explain its non-compliance with the CPC recommendation. The Development Account, which was supposed to enhance efficiency, had itself encountered inefficiency and indifference on the part of the Secretariat. The proposals must be submitted at the current session so that the Committee could conclude its work on the proposed programme budget. The Group was not in a position to conclude consideration of the budget proposals unless the information now requested was submitted in good time for a thorough examination of all the relevant issues.

45. **Mr. Sial** (Pakistan) said that the Secretariat was required to submit its budget proposals to CPC and to the Advisory Committee, whose observations and recommendations the Fifth Committee was then required to consider. The Fifth Committee had already done its job with regard to the Development Account. Disappointingly however, despite the repeated requests of the General Assembly, there was still no narrative for that section of the proposed programme budget. His delegation would welcome an explanation of the correlation between the modalities of the Development Account and the programme narrative for section 33.

46. His delegation was also disappointed at the Advisory Committee's superficial observations on section 33 of the proposed programme budget, which concerned an issue to which the General Assembly had devoted more than two years of discussions. The Advisory Committee had noted that the General Assembly had yet to agree on the modalities for operating the Development Account. He would welcome

specific clarification of that Committee's observation that, should such agreement not be reached, the Assembly would have to decide on the treatment of the amount of $13,065,000 authorized by the General Assembly, in its resolution 52/221 A, for the biennium 1998-1999.

47. **Mr. Herrera** (Mexico) said that the Development Account had raised expectations among many delegations, which he hoped would not be disappointed. His delegation would prefer to see a programme narrative for the section and the proposed list of projects to be funded from the Account. He hoped that the Latin American region would not be overlooked when the projects were allocated.

48. **Mr. Moktefi** (Algeria) said that the issue of the Development Account was one to which many delegations attached great importance. The Secretariat's failure to provide a narrative for that section of the proposed programme budget suggested that certain procedural difficulties might have arisen. Unfortunately, the Committee could not take action without the narrative.

49. **Mr. Jara** (Chile) said that it had taken the General Assembly more than two years to reach agreement on the Development Account and all necessary information should now be made available in the form of a programme narrative in order to permit delegations to take an informed decision. He hoped that the projects to be identified would benefit the developing countries, including the countries of Latin America.

50. **Mr. Den Hartog** (Brazil) said that his delegation supported the statement made by Guyana on behalf of the Group of 77 and China. He welcomed the consolidation of the Development Account into a permanent budget section; the activities funded by it would supplement the Organization's other development work. The development activities of the United Nations had not measured up to the ideals of Member States, largely because of the shortage of resources allocated: the issue was not one of merely redistributing resources among budget sections.

51. Brazil shared the widespread concern about the sustainability of the Development Account, which was intended to provide a stable flow of resources over the long run. However, the efficiency measures were not supposed to be short term, and once a new level of productivity had been achieved the resulting savings would remain as long as the measures were applied, possibly even increasing in the future.

52. Cash surpluses did not equate to increased efficiency, which could be assessed only after mandated activities had been fully implemented. The generation of surpluses was thus not an end in itself, and the provision of resources to the Development Account as a result of the partial or non-implementation of mandates was not an option.

53. The programme narrative could have been presented subject to subsequent amendment. His delegation looked forward to examining the Secretary-General's proposals, which should be guided by the priorities in the medium-term plan. The Development Account must also be operated in accordance with the relevant rules and regulations.

54. **Mr. Takahara** (Japan) said that tangible results should be obtained as soon as possible. It would welcome clarification as to when the Secretary-General's proposals regarding the modalities and use of the Development Account would be submitted.

55. **Ms. Buergo Rodríguez** (Cuba) said that her delegation fully supported the statement made by Guyana on behalf of the Group of 77 and China and reiterated the importance which it attached to the establishment of the Development Account section in the programme budget. The Committee must keep in mind the General Assembly's repeated injunction that the activities carried out under section 33 must not lead to funding or personnel cuts elsewhere in the budget.

56. It was regrettable that the Secretariat had not submitted any concrete proposals for the use of the funds in the Account, especially as CPC had produced relevant recommendations. And it must be remembered that there was a clear difference between the Committee's consideration of specific proposals for use of the funds and the General Assembly's recent decision on modalities and sustainability.

57. Her delegation joined with others in stressing the permanent nature of section 33 as a component of the programme budget. It looked forward to the Secretariat's comments on the failure to submit specific proposals and to the eventual presentation of such proposals, which must be considered by the Assembly before it concluded its evaluation of the proposed programme budget.

58. **Mr. Orr** (Canada) said that his delegation reiterated its support for the Development Account as a key component of the Secretary-General's reform agenda. It hoped that the General Assembly would take action at the current session on a large number of the Secretary-General's reform initiatives. It endorsed the point made by the representative of Guyana to the effect that the submission of the programme narrative should not have been contingent upon the modalities for operation of the Account and, too, looked forward to an indication of when the proposals for the use of the funds would be available.

59. **Mr. Toscano** (Ecuador) said that his delegation fully endorsed the statement made by the representative of Guyana on behalf of the Group of 77 and China; the Development Account was of great political and practical importance for Ecuador. It looked forward eagerly to the Secretary-General's proposals for use of the Development Account budget, in which the countries of Latin American and the Caribbean should be given their due place. In that connection it endorsed the statements made by Mexico and Chile.

60. **Mr. Adam** (Israel) said that his delegation shared the concern over the delay in implementation of the Development Account, to which Israel attached great importance. It hoped that the approved amount of $13.6 million and the mandated activities would finally be utilized in development activities as soon as possible, in full and without conditions.

61. **Mr. Fermin** (Dominican Republic) said that his delegation attached great importance to the Development Account and therefore fully endorsed the statement made by Guyana on behalf of the Group of 77 and China and the statements of Mexico and Chile.

62. **Mr. Sach** (Director, Programme Planning and Budget Division) said that over the past 18 months it had been difficult for both Member States and the Secretariat to know how to proceed without endangering a genuine consensus and the possibility of fulfilling the Secretary-General's wishes for the Development Account. In paragraph 43 of the foreword and introduction to the proposed programme budget the Secretariat had identified the three components of the operation. It had been very apparent to the Secretariat earlier in the year that any misstep ahead of a genuine agreement on modalities could endanger the process. It had therefore held back both on the projects and on the question of efficiency savings pending political agreement.

63. The Committee had solved certain of the Secretariat's problems by deciding that the savings to be achieved should be identified in the context of budget performance reports, so that the Secretariat now did not have to submit a report in advance of achieving efficiency savings. The fact that the Secretariat had not come forward with proposals in advance had worked to the advantage of the process by making the agreement on modalities easier.

64. The Secretariat had been working intensively on specific projects under the guidance of the Assistant Secretary-General for Economic and Social Affairs, who had conducted consultations with UNOV, UNOG, UNON and the regional commissions in order to put together a package of projects to be presented to the Committee very shortly, before it came to the appropriation stage. There were about 16 regional or global projects covering a range of sectors.

65. The Secretariat regretted the failure to make details of the projects available earlier, but the coordination task had been a difficult one. The presentation of the proposals would remove what a number of delegations regarded as an anomaly from the standpoint of the review of the budget proposals.

66. **The Chairman** said that he took it that the Committee had completed its first reading of section 33 of the proposed programme budget for the biennium 2000-2001 and wished to refer that section to informal consultations for further consideration.

67. *It was so decided.*

68. **The Chairman** invited the Committee to consider income sections 1, 2 and 3 of the proposed programme budget for the biennium 2000-2001.

69. **Mr. Repasch** (United States of America) said that his delegation would welcome additional information about the reduction of income from television and similar services noted in paragraph IS2.4 of the ACABQ report (A/54/7) and would like to know whether the new arrangements constituted a good deal for the United Nations.

70. His delegation supported the abolition of the two General Service posts in the bookshop at UNOG and could not accept the Advisory Committee's recommendation (A/54/7, para. 153.4) that they should be retained. It would welcome an explanation for the decline in the net revenue of the United Nations Postal Administration shown in tables IS3.5 and 3.6. Revenue-producing activities were fine as long as they actually produced revenue; if they did not, they should be reconsidered. It would also like to know the basis for the Advisory Committee's conclusion (A/54/7, para. IS3.5) that the quality of catering services had declined and that some items were too expensive.

71. **Mr. Orr** (Canada) said that his delegation was puzzled by the information given in paragraphs IS3.44 and IS3.47 of document A/54/6/Rev.1: there seemed to be no correlation between the numbers of visitors to Headquarters, UNOV and UNOG and the numbers of staff required to handle them at each location. It would also welcome information about what the non-guide posts in the Visitors Service were for. The matter was an important one because the operation was losing money. Perhaps the Secretariat could say what was being done to improve the bottom line. The Service was a valuable one but it should not run at a loss.

72. **Ms. Buergo Rodríguez** (Cuba) said that her delegation welcomed the projection of some $5.5 million in net

revenues from services to the public for the biennium 2000-2001. She shared the Advisory Committee's concerns about the payment of local taxes on items sold in the United Nations gift shop, which was on international territory, and about the proposed abolition of two General Service posts in the Geneva bookshop (A/54/7, paras. IS3.2 and IS3.4), and looked forward to the Secretariat's comments on those issues. With respect to the catering operations, her delegation had noted the increase in the prices and the deterioration in the quality of the services and food items offered in the cafeteria, compared to the situation one or two months earlier. She hoped that the Secretariat would explain the reasons for those changes, as requested by the Advisory Committee in paragraph IS3.5 of its report.

73. **Mr. Sial** (Pakistan) said that he welcomed the new arrangements described in paragraph IS2.3 of the proposed programme budget (A/54/6 Rev.1), which would enable the Organization to earn a significant amount of bank interest on its deposits. However, he wondered why such arrangements had not been made previously. With respect to the catering operations, the "substantial capital improvements" referred to in paragraph IS3.68 had been made at the cost of a 25- to 50-per cent price increase, while the quality of the items offered had deteriorated and the selection of items reflected cultural insensitivity. Although the contractor was required to pay the United Nations $500,000 a year, the profits came from money that was paid to the contractor by the United Nations staff members and delegations that used the cafeteria. The Committee should consider whether the cafeteria should, instead, be run on a no-profit, no-loss basis.

74. **Mr. Yussuf** (United Republic of Tanzania) said he agreed that the quality of the cafeteria services had deteriorated. However, the cafeteria offered a wide variety of food items at prices that were reasonable, considering the prices prevailing in New York.

75. **Mr. Moktefi** (Algeria) said that he shared the Advisory Committee's concern about the payment of sales tax on gift items (A/54/7, para. IS3.2) and that his delegation had previously asked representatives of the Office of Legal Affairs to comment on the issue, but had received no reply. He looked forward to the Secretariat's explanation of the basis for that practice.

76. **Mr. Fox** (Australia) said he hoped that the representative of Costa Rica, who had originally raised questions concerning the cafeteria and who was absent from the current meeting, would be given ample opportunity to pursue those issues. He associated himself with the United States representative's queries concerning the basis for the Advisory Committee's comments on the high cost of some of the items sold in the cafeteria.

77. **Mr. Sachs** (Director, Programme Planning and Budget Division) said that answers to the questions on the new arrangements regarding television and similar services would be provided in writing in informal consultations. The United Nations Postal Administration was expected to realize a profit of between $2.3 and $2.4 million from the sale of stamps during the biennium 2000-2001, as shown in table IS3.6. However, that represented a decrease from the profit of over $4 million in the current biennium. The decrease reflected the difficulty of maintaining the customer base at a time when worldwide interest in philately was declining. It should be borne in mind, however, that the General Assembly had changed the name of income section 3 from "Revenue-producing activities" to "Services to the public" to reflect the larger value of such activities in terms of promoting the United Nations and spreading its message. For example, the costs of the guided tour operations were higher than the amount of revenue they generated, but those operations were nonetheless valuable for enhancing the Organization's image, increasing public awareness of its work and resulting in increased revenues from the gift shop operations. The relatively small number of posts for guides in New York reflected the heavy use of general temporary assistance at Headquarters. Not all of the posts listed in table IS3.15 were for guides; some of them were for staff members associated with that operation, such as those responsible for selling tickets, booking tours or maintaining the roster of guides.

78. The proposed reorganization of the bookshop operations at Geneva was similar to the change introduced at Headquarters when a contractor had been engaged to help run the bookshop; the Organization had, however, maintained some degree of control over the operation. Following the review of the proposal for the Geneva bookshop in response to a request from the Advisory Committee (A/C.5/54/14, para. 3), the Secretariat had modified its proposal to request the abolition of only one post at the bookshop; the other post would be retained to provide for the monitoring of the contractor's operations. The use of an outside contractor would enable the bookshop to remain open for more hours, thereby increasing profits. The gift shop charged sales tax on the items it sold because it was currently operated by an outside contractor that was incorporated in the United States and was required to file local tax returns. The issue was still being reviewed by the Commercial Management Service and the Office of Legal Affairs.

79. With respect to the cafeteria, a five-per-cent price increase had been announced in September 1999, and was reflected in the contract between the Organization and the contractor. Under the current arrangements, the trading risk was borne by the contractor; that meant that any profit or loss accrued solely to the contractor, not to the Organization. The bank interest earned by the United Nations reflected developments in the banking industry and in technology. Banks had adopted a profit-oriented approach of charging customers for every transaction, while customers had become more active in determining how they wished to earn interest on their balances. At the same time, new software for managing complex bank accounts had enabled the Organization to invest on a short-term basis to earn the highest possible interest on its balances. Those revenues had not been possible previously because the software had not been available and because banking arrangements had been different.

80. **Mr. Orr** (Canada) asked why the United Nations continued to provide services to the public even though it suffered losses as a result. In the informal consultations he would like a breakdown of the list of staff providing services to visitors, showing the number working in New York, Geneva and Vienna, and would like an explanation of why Vienna had twice as many staff as Geneva even though it received half as many visitors.

81. **The Chairman** said he took it that the Committee had completed its first reading of the income sections of the proposed programme budget for the biennium 2000-2001 and wished to refer those sections to informal consultations for further consideration.

82. *It was so decided.*

The meeting rose at 5.30 p.m.